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## DIGEST

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Monica

HB No. 683

**Abstract:** Provides for a royalty payment offset equal to a proportionate amount of ad valorem tax paid for deep oil and gas drilling and production.

Proposed law requires the State Mineral Board to enter into an agreement with the lessee of mineral leases on land, lakes, river beds, and other water bottoms belonging to the state under which the lessee will receive a proportionate credit on the amount of the royalty obligation under the applicable lease, for payment of all ad valorem taxes in the parish or parishes where the applicable lease is located. The amount of ad valorem tax credit is determined by taking the percentage of the mineral ownership of the production unit for the deep oil or gas well that is under the applicable lease and multiplying the ad valorem tax assessment on the deep oil or gas well by that percentage.

Requires the agreement to set a procedure for the lessee to submit to the State Mineral Board proof of the mineral ownership of the production unit, the depth of the initial production in paying quantities, and payment of such taxes prior to such credit being taken by lessee in its obligation to pay royalty under the applicable lease. Further provides that if the ad valorem tax credit exceeds the royalty obligation in any year, the excess ad valorem tax credit may be offset from the royalty obligation in any future years, whether or not the royalty obligation is due to the deep oil or gas well, until fully offset, but that there shall be no other credit, refund, or recourse to lessee.

Defines "deep oil or gas well" as an oil or gas well permitted by the office of conservation after July 1, 2009, that is drilled to and produced from a true vertical depth of 15,000 feet or more on a producing unit which includes an applicable lease from the State Mineral Board. Defines "applicable lease" to mean that portion of a mineral lease granted by the State Mineral Board that is included within the production unit for a deep oil or gas well drilled and produced under the agreement.

Provides that the offset does not apply to royalties due to be paid to the extent such royalties must be remitted to the governing authority of the parish in which the severance of production occurs in accordance with Article VII, §4(E) of the La. Constitution of 1974. Preserves the right of taxpayer to pay ad valorem taxes under protest or to otherwise resist the collection of such ad valorem taxes.

Effective July 1, 2009.

(Adds R.S. 30:127.2)